

## Environmental Liabilities Recognition, Valuation and Reporting Process Step Names and Descriptions (SA Generated Report)

Process Step	Description
Attest to Documentation	After the bibliographic information is verified, a supervisor must attest that the documentation is complete and reasonable. This step involves the supervisor formally attesting to the summary document thereby ensuring that the documentation is complete in terms of the audit trail and that the estimate is reasonable in nature.
Classify EL by Balance Sheet Classification and Assign Accounting Attributes	This task accepts potential liability input from the previous task to classify the environmental liability by balance sheet classification and to determine the appropriate attributes necessary for reporting in the required form and content. This task also restarts the process once a 'liability update requirement' has been initiated. Overall, this task performs three major functions: a. Accepts or Rejects a liability by program area of responsibility. This determination of acceptance or rejection is made on an initial assignment of program responsibility. In the case that a liability is rejected from a program area of responsibility it may require a reassessment to route to the appropriate program. Information on acceptance into a program area is necessary for classifying a liability for reporting purposes-the program area determines the financial statement note and the line of the note on which the liability will be reported. b. Determines if the identified potential liability is 'not a DoD environmental liability' because it is: remote, a current year operational or maintenance cost, a non-environmental liability, or a non-DoD environmental liability.
Create Engineering Estimate of Potential Future Environmental Requirements	Based on current site or facility specific data, this task defines the potential future actions to include proposed remedy, associated costs, and schedules that are necessary to correct, restore, remediate, or close a facility or site due to environmental concerns. The tasks in the process include the following: a. Define the proposed remedy or solution to the environmental problem b. Create a time phased schedule to implement the remedy c. Estimate the potential future outflow of resources for each phase and sum the total projected outflow of resources needed for the remedy (use a VV&A method as required) d. Define other data as necessary, including getting amortization information, information necessary to prepare the narrative, etc. Information necessary to prepare the narrative would include an explanation of the methodology used to create the cost estimate, an explanation for changes greater than ten percent from the prior year, etc. e. If insufficient data exists to estimate the remedy or solution- for example, if no known technology exists to perform the proposed action - use the estimate of any known expenditures, such as th

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Determine if Potential Liability is Probable, Possible or Remote and Estimable	This task collects the information needed to determine if the likely outflow of future resources is probable, possible, or remote and if the cost can be reasonably estimated. For an environmental problem to be recorded as a liability on a financial statement, it must meet certain criteria. Generally, the criteria address the likelihood of a future outflow of resources and whether they can be reasonably estimated - reliably quantified in monetary terms. This classification criterion is applied in a later step. General steps include: <ul style="list-style-type: none"> <li>· Receive assignment from assignor</li> <li>· Determine if the potential liability may result in a future outflow of resources and classify the outflow of resources as probable, possible or remote.</li> <li>· Determine if potential liability is estimable based on appropriate guidance</li> </ul> One of the following determinations results from this task: <ul style="list-style-type: none"> <li>· A future outflow is probable and costs are estimable</li> <li>· A future outflow is probable but costs are not estimable</li> <li>· A future outflow is possible and costs are estimable</li> <li>· A future outflow is possible but costs are not estimable</li> <li>· A future outflow of resources is remote</li> </ul>
Develop/Collect Documentation and Prepare Summary Document	The objective of this task is to capture information to support the valuation of the estimate, the method in which it was derived, and associated information related to the management of the liability. This task also includes preparation of a summary document that is a record of the pertinent information collected in each step and the physical location of each document associated with the pertinent information. One purpose of the summary document is to ensure existence of all supporting documentation and to enable tracking a transaction through the referencing or linking of documents. The documentation should be complete enough to allow an auditor ready access to the supporting information and in enough detail to allow an auditor to recreate the estimate used in the financial statements. Specific documentation requirements will vary based on the type of estimate developed (e.g., engineering estimate, best professional judgment, model applied, etc).
Identify Potential Environmental Liability and Assign to Program	This task identifies environmental issues having a potential for the future outflow of resources. In general it identifies and assesses events that have occurred in the past that may require a future outflow of resources to correct, restore, remediate, or close a facility or site for environmental stewardship purposes. Steps in this process include: <ul style="list-style-type: none"> <li>Receive and assess the event based on appropriate guidance (e.g. DERP, Non DERP Draft Guidance, and FMR V4 Chp 13-14)</li> <li>Assign to program</li> </ul>

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Provide Information for Environmental Liability Form and Content	<p>This task collects and formats the environmental liability information for form and content using information such as budget execution data, expenses, or revenue. This task has two major steps:</p> <ul style="list-style-type: none"> <li>• Step one collects cost estimate components and other information necessary to calculate the non-current liability form and content. This information is at the site/facility level by program phase. Information obtained may include items such as costs associated with the environmental liability as defined by guidance - instances where a cost estimate for a restoration is not available, use the known costs associated with the initial study of the liability. Following the collection of this information, this task calculates the non-current liability.</li> <li>• Step two collects information components necessary for the current liability form and content. This information is at the facility/installation level by program phase. This includes expense information or collecting other form and content information. It then takes this information and transforms it to calculate the current liability. NOTE: The narrative associate with Note 14 is built using information collect in this task however,</li> </ul>
Verify Accuracy and Completeness of Environmental Liability	<p>The supporting documentation collected for each major step in the process is verified for accuracy and completeness. This process of verification includes an examination of the methods used to develop the estimate and a determination of the reasonableness of all estimates associated with the specific liability. The task also reviews the documentation - by peer or supervisor - for completeness and other audit requirements. Steps in this task include:</p> <ul style="list-style-type: none"> <li>• Review for reasonableness - judge the reasonableness of the cost estimate and ensure that proper controls were implemented to ensure the reliability and accuracy of the estimate</li> <li>• If the liability has been previously assessed and the balance has significantly changed since the last estimate, ensure that the reason for the change is valid</li> <li>• Review bibliographic citation for each document listed in the summary document</li> <li>• Note missing entries</li> <li>• Request missing information</li> <li>• Forward Summary Documents for attestation</li> </ul>

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Verify Environmental Liability Summary Documentation and Attestation	<p>The cost estimate and other aspects of the environmental liability must be properly documented to ensure the liability can be audited. This task does not review the documentation itself but verifies that appropriate supervisory controls were exercised. This task is accomplished through the review of a summary document or other suitably defined data collection instrument that outlines the environmental liability milestones and collects a signature denoting supervisory review of the milestone. The general steps in this process are:</p> <ul style="list-style-type: none"> <li>· Review for existence - proof or attestations that the proper documentation exists and has been properly reviewed and attested to by the proper level of authority</li> <li>· Review for completeness - insure all necessary documentation is available in sufficient detail to allow an outside reviewer to trace estimates and decisions back to their origin</li> <li>· Seek additional documentation if information provided is not sufficient</li> </ul>